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INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST NINE MONTHS OF 1985

Product	Jan-Sep. 1985	% Jan.-Sep 1985 over Jan.-Sep 84
Electricity (bil.kw.hrs)	1125	104
Petroleum (inc. gas condensate) (mil.tons)	445	96
Natural Gas (bil.cu.mtrs)	473	110
Coal(mil.tons)	542	101
Steel (mil.tons)	115	99
Fertilizer (mil.tons)	24.5	106
Metal-cutting tools (mil. rubles)	1980	111
Robots (1000s)	10.9	102
Computer Technology (bil. rubles)	3.1	111
Tractors (mils.)	39.3	105
Paper (mil. tons)	4.4	101
Cement (mil. tons)	97.3	99.6
Meat (mil. tons)	8.0	103
Margarine (1000 tons)	1.0	98
Watches (mils.)	50.5	107
Radios (mils.)	6.4	93
Televisions (mils.)	6.9	104
Automobiles (1000s)	992	100

PRODUCTION RESULTS FOR THE FIRST NINE MONTHS OF 1985

Gorbachev's discipline campaign continues to show results. Most of the major industrial indices show an increase in the rate of growth.

Most striking is the fact that petroleum output in September 1985 compared to September 1984 declined by only 2%. For the whole nine months, the figures indicate that it dropped 4%. However, if the present trend continues, when the figures are available for October 1985, the drop in growth for the whole ten months should only be about 3%. Most impressive of all, of course, is the fact that in June while production dropped 5%, it dropped only 4% in July, 3% in August and now 2%, the most recent figure for September. That suggests that Gorbachev's visit to West Siberia and the oil fields has already bourne some fruit and the emphasis on dicipline and anti-alcohol has been worth the effort. It is ironic, of course, that many analysts have seen the figures for the nine months as a whole and have missed the change in direction reflected by the marginal or month by month production comparisons. The same type of change seems to be taking place in the other industries, for example, electrical output has increased by 5% in September to September whereas for the whole nine months it rose only 4%. Similarly coal production rose by 2% on a September by September basis compared to a 1% increase for the whole 9 months. Most impressive of all (at least

according to Gorgachev's standards) is that steel production rose 8% in September compared to the similar month a year earlier while output for the whole nine month period is down by 1%. There is every reason to believe that this trend will continue for the rest of the year and that the difference is primarily due to Gorbachev's crackdown.

PREPARATIONS FOR ARDEN HOUSE ARE NOW UNDERWAY

We are in the process of preparing the Arden House Program. We have already received an acceptance from Ambassador Arthur Hartman in Moscow. He will be the keynote speaker on March 21st. The congressional panel will include Senator Paul Simon who has also agreed to speak. At least two other senators have indicated tenatively that they will be able to attend and we should have more concrete information about that next month. In the meantime please set aside your calendar for March 21st to the 23rd for the tenth Arden House conference.

CURRENCY FIGURES

Rubles Purchased Per 100	Oct 1984	Sept 1985	Oct 1985
Austrian shilling	3.92	4.04	4.22
U.K. pound	104.65	111.29	111.86
W. German mark	27.43	28.49	29.64
U.S. dollar	86.00	83.05	78.80
French franc	8.95	9.36	9.71
Swiss franc	33.46	34.59	36.18
Japanese yen	.327	.342	.362
Italian lira	.0482	.0427	.0439

According to the report released by Gosbank SSR, as of October 1, 1985 all of the currencies listed above varied only slightly from last month's figures. As expected, the U.S. dollar decreased somewhat moving from 83.05 rubles purchased per 100 dollars to 78.80.

THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, **Marshall I. Goldman and Gary Eynatian.** **RRC @ 1985**

LIVESTOCK HERDS (Millions)

	10/1/84	10/1/85	9/1/85 as % of 9/1/84	10/1/85 as % of 10/1/84
Cattle	95.7	95.4	99.9	99.6
Cows	29.7	29.4	99.3	99.0
Hogs	62.3	60.3	96.2	96.8
Sheep & Goats	124.1	121.0	97.2	97.5
Chickens	755.0	777.1	103.7	102.9

The size of the cattle, cow, hog, sheep & goat herds on 10/1/85 had all dropped relative to those that existed on 10/1/84. The rate of the drop however for hogs, sheep & goats was not as sharp as it had been on a 9/84 to 9/85 basis. Nonetheless, the cattle and cow herds did show a greater drop than in a month earlier. Some have argued that the drop is not as significant as it looks because the quality of the livestock herds are higher. In other words, the Soviets are stressing quality rather than quantity of animals.

THE SOVIET BALANCE WITH EASTERN EUROPE FOR THE FIRST HALF OF 1985

(see accompanying table, pg. 3)

The trade figures with Eastern Europe show that the Soviet surplus with all of Eastern Europe fell by half of what it was from the preceeding six months of 1984. The Soviets still have a trade surplus with all six countries to combine, but not with East Germany, Hungary and Romania. Their main trade surplus is with Poland. Perhaps the most interesting figure is the trade surplus that Romania has accumulated. Since Romania normally attempts to balance its trade with the Soviet Union, the fact that it has accumulated approximately a 200 million ruble surplus is unusual and probably reflects the very significant crackdown the Romanians have instituted on their domestic economy. They have apparently tried not only to increase their exports to the hard currency world but to the ruble bloc as well.

Soviet export figures to Eastern Europe, unlike those for Soviet exports to Western Europe which dropped so sharply, show a small increase. That suggests that exports of energy to Eastern Europe have remained much the same (assuming a small price increase) and in any case were not cut back sharply as in Western Europe.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE
FOR THE FIRST HALF OF 1985

(in million rubles)

	Exports from U.S.S.R.				Imports to U.S.S.R.			
	1982	1983	1984	1985	1982	1983	1984	1985
Bulgaria	2372	2880	3174	3156	2259	2573	2823	2912
Czech.	2460	2855	3346	3317	2491	2766	2996	3246
GDR	3093	3321	3583	3710	2902	3228	3772	3821
Hungary	1991	1961	2266	2207	1793	1886	2042	2280
Poland	2363	2595	2916	3089	1880	2382	2594	2611
Romania	660	849	952	889	921	891	943	1083
	12940	14461	16237	16368	12246	13726	15170	15953
	+694	+735	+1,067	+415				

THE CORPORATE SPONSORS SEMINARS

The next Corporate Sponsor Seminar will take a look at the relationship between the German Democratic Republic and the Soviet Union. The conference is scheduled for Monday, February 10, 1986. It is being organized by Norman Naimark and promises to provide us an interesting look at German-Soviet relations. A copy of the program and an application form are included with the Newsletter.